

CAPITAL AREA CORPORATE
RECYCLING COUNCIL
DECEMBER 31, 2004
BATON ROUGE, LOUISIANA

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CONTENTS

Audited Financial Statements:

Independent Auditor's Report.....	Page 1
Statement of Financial Position.....	2
Statement of Activities	3 - 4
Statement of Cash Flows.....	5
Notes to Financial Statements.....	6 - 9



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February 6, 2006

Independent Auditor's Report

**To the Board of Directors
Capital Area Corporate Recycling Council
Baton Rouge, Louisiana**

We have audited the accompanying Statement of Financial Position of Capital Area Corporate Recycling Council (a nonprofit organization) as of December 31, 2004, and the related Statement of Activities and Cash Flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Capital Area Corporate Recycling Council as of December 31, 2004, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Respectfully submitted,

Hannis T. Bourgeois, LLP

CAPITAL AREA CORPORATE RECYCLING COUNCIL

STATEMENT OF FINANCIAL POSITION

AS OF DECEMBER 31, 2004

ASSETS

Cash	\$ 102,371
Accounts Receivable	3,906
Prepaid Expenses	7,863
Other Receivables, Net	10,877
Equipment	67,127
Less: Accumulated Depreciation	(37,612)
Total Property, Plant and Equipment	29,515
Total Assets	<u>\$ 154,532</u>

LIABILITIES AND NET ASSETS

Accounts Payable	\$ 10,782
Sales Taxes Payable	823
Accrued Liabilities	50,089
Capital Lease Obligations	14,112
Total Liabilities	75,806
Net Assets:	
Unrestricted	78,726
Total Liabilities and Net Assets	<u>\$ 154,532</u>

The accompanying notes are an integral part of this statement.

CAPITAL AREA CORPORATE RECYCLING COUNCIL

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2004

Public Support and Revenue:

Public Support:

Donated Inventory \$ 1,072,960

Total Public Support 1,072,960

Revenue:

Grant Revenue 15,000

Ebay Sales 867,719

Scrap Sales 166,951

Recycled Metal 5,311

Sales Other 20,354

Other Income 9,314

Total Revenue 1,084,649

Total Public Support and Revenue 2,157,609

Expenses:

Salaries and Wages 329,210

Payroll Taxes 30,423

Insurance- Workers Comp 4,503

Other Employee Benefits 4,499

Accounting & Payroll Services 14,981

Advertising 7,302

Theft Loss 10,877

Bank Service Charges 1,846

Contract Labor 20,863

Copier Expense 1,411

Cost of Merchandise Sold 1,060,335

Depreciation Expense 9,771

Donations- In Kind 12,625

Dues and Subscriptions 764

Forklift Expense 10,197

Forklift -Fuel 1,660

Insurance 4,989

Interest Expense 1,971

Legal Expense 5,000

Miscellaneous 3,061

Office Expense 9,622

Outside Services 4,505

(CONTINUED)

Professional Fees	28,670
Program Expense	3,218
Rent- Building & Storage	38,530
Repairs and Maintenance	1,873
Selling Related Expenses	314,942
Small Tools & Equipment	1,681
Telephone	10,410
Utilities	12,519
Penalties & Fines	1,191
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Total Expenses	1,963,449
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Change in Net Assets	194,160
Net Assets (Deficit) at Beginning of the Year	(115,434)
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Net Asset at End of the Year	\$ 78,726
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The accompanying notes are an integral part of this statement.

CAPITAL AREA CORPORATE RECYCLING COUNCIL

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2004

Cash Flows from Operating Activities:

Change in Net Assets	\$	194,160
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used by) Operating Activities:		
Depreciation		9,771
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts & Other Receivables		36,675
(Increase) Decrease in Prepaid Expense		67
Increase (Decrease) in Accounts Payable		(61,090)
Increase (Decrease) in Accrued Liabilities		(57,625)
Increase (Decrease) in Sales Tax Payable		(5,420)
Increase (Decrease) in Other liabilities		(3,708)
Net Cash Provided by Operating Activities		<u>112,830</u>

Cash Flows from Investing Activities:

Payments for the Purchase of Property and Equipment		<u>(10,250)</u>
Net Cash Used in Investing Activities		<u>(10,250)</u>

Cash Flows from Financing Activities:

Payment of Obligations Under Capital Lease		(2,016)
Principal Payments on Short-Term Debt		<u>(3,040)</u>
Net Cash Used in Financing Activities		<u>(5,056)</u>

Net Increase in Cash		97,524
Cash at Beginning of Year		<u>4,847</u>
Cash at End of Year	\$	<u><u>102,371</u></u>

Supplemental Disclosure of Noncash Investing and Financing Activities:

Purchase of Fixed Asset through Capital Lease Obligation	\$	<u><u>15,188</u></u>
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The accompanying notes are an integral part of this statement.

CAPITAL AREA CORPORATE RECYCLING COUNCIL

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2004

Note 1 - Summary of Significant Accounting Policies -

Nature of Activities

Capital Area Corporate Recycling Council ("the Council") is a nonprofit organization which promotes waste reduction and the use of recycled goods through leadership and education programs for public and private entities. The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board on its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statement of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, as applicable.

Contributions

All contributions are considered available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes, are reported as temporarily restricted or permanently restricted support that increases those net asset classes, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends, or purpose of restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Donated Assets, Goods and Services

The value of donated items received for resale in the warehouse is recognized in the accompanying financial statements at their estimated fair value only to the extent that the items were resold. Any items not resold are not recorded as donations in the financial statements because there is no objective basis available to value such items.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Property and Equipment

Property and equipment are stated at cost and are depreciated using the straight-line method over their estimated useful lives which ranges from 3 to 5 years.

Maintenance and repairs are charged as expense when incurred.

The cost and accumulated depreciation of assets sold or retired are removed from the respective accounts and any resulting gain or loss is reflected in operations.

Net Assets

The Organization classifies assets into three categories: unrestricted, temporarily restricted and permanently restricted. All net assets are considered to be available for unrestricted use unless specifically restricted by the donor or by law. Temporarily restricted net assets include contributions with temporary, donor-imposed time or purpose restrictions. Temporarily restricted net assets become unrestricted and are reported in the statement of activities as net assets released from restrictions when the time restrictions expire or the contributions are used for the restricted purpose. Permanently restricted net assets include contributions with donor-imposed restrictions requiring resources to be maintained in perpetuity, but permitting use of all or part of the investment income earned on the contributions. The Organization had no permanently restricted or temporarily restricted net assets at December 31, 2004.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Lease Commitment

Rent expense is recognized on a straight-line basis over the term of the lease.

Concentration of Credit Risk

At various times during the year, cash on deposit with one banking institution may exceed the \$100,000 insured by the Federal Deposit Insurance Corporation. Management monitors the financial condition of the institution on a regular basis, along with their balances in cash to minimize this potential risk.

Note 2 - Commitments -

The Council entered into several operating lease agreements for office space and equipment.

Office Space

The Council entered into a lease on November 1, 2002 to rent an office building and warehouse. The term of the lease began on November 1, 2002 and continues until November 30, 2005. Rental amounts vary according to the terms of the lease. The monthly rent from November 2003 to November 2005 is \$3,000 per month.

Copier Lease

The Council entered into a lease agreement on July 21, 2003 to rent a copier. The lease requires 60 equal monthly payments of \$75 plus taxes.

Phone System

The Council entered into a lease agreement on April 21, 2003 to rent a phone system. The lease requires 24 equal monthly payments of \$215 plus taxes.

The total rent expense for items under operating leases for the year ended December 31, 2004 was \$39,504. Total minimum rental commitments at December 31, 2004, under the terms of the leases are due as follows:

<u>Year End</u> <u>December 31</u>	<u>Amount</u>
2005	\$ 34,975
2006	900
2007	900
2008	<u>525</u>
Total Minimum Lease Payments	<u>\$ 37,300</u>

Note 3 - Fixed Assets -

A summary of fixed assets as of December 31, 2004 is as follows:

Equipment	\$ 67,127
Less: Accumulated Depreciation	<u>(37,612)</u>
	<u>\$ 29,515</u>

Depreciation expense for the year ended December 31, 2004 was \$9,771.

Note 4 - Capital Lease Obligation -

The Council entered into a capital lease for the purchase of a forklift. The lease agreement dated October 11, 2004 requires 24 equal monthly payments of \$672.

Future minimum lease payments required under the lease is as follows:

<u>For Year Ended</u> <u>December 31,</u>	<u>Amount</u>
2005	\$ 8,064
2006	<u>6,871</u>
Total Minimum Lease Payments	14,935
Less: Approximate Amount Representing Interest	<u>(823)</u>
Present Value of Minimum Lease Payments	<u>\$ 14,112</u>

The following is an analysis of leased assets included in property and equipment at December 31, 2004.

Equipment	\$ 18,251
Less: Accumulated Depreciation	<u>(608)</u>
Net Leased Assets	<u>\$ 17,643</u>

Note 5 - Hurricanes Katrina and Rita -

Hurricane Katrina hit the coasts of southeast Louisiana, Mississippi and Alabama on August 29, 2005. Hurricane Rita hit the coasts of southwest Louisiana and southeast Texas on September 24, 2005. Damages due to wind and flooding are catastrophic in these areas. At this time the Council's management is unable to evaluate the effect, if any, that those events may have on the Council.

Note 6 - Contingency -

The Council alleged that an employee had inappropriately taken funds from the Council during the years ended December 31, 2003 and 2004. An investigation by management revealed that funds in the amount of \$21,754 were taken without management authorization. The matter has been turned over to the District Attorney's office. Management has determined that approximately \$10,877 of this amount is deemed uncollectible and is charged to theft expense and \$10,877 is recorded as Other Receivables in the Statement of Financial Position. No additional amounts have been recorded as the investigation is ongoing and no additional liability has been determined.